B' class

924
Rev(CT)
dt 25/2/57

195 .

File No. IHS 1153

RHABC DEPARTMENT

F BRANCH

B Class
Karnatak

Subject:—

Subsidized Industrial Housing Scheme

Copies from IHS 1153 VIIC

B Class Common

MYSORE GOVERNMENT SECRETARIAT
NO. 902
26 FEB 1957
LABOUR BRANCH

To perused in the first instance
28/3/57

07
B

Rev. (CT)
10
Supdt. L SG. Section
11/2/57

B Class
Karnatak

Since 1/5/5

IHS 1153

File No.

Ed. Scott. Slip. 24 A

Sir,
It is submitted that no action is called for this will be filed and kept for reference in the Branch.
29/4/57

B
M 30/5

30/4/57

4. Maintenance charges at ~~2~~ % on the cost of installations (Rs. 998) Rs. 19.96
(The rate of 4½% taken into account by Bombay but is definitely excessive).

5. Taxes at 25% of the gross rent. Rs. 47.27

6. Additional 5% for management of bad debts etc. Rs. 11.82

(This is purely notional and is normally not incuded for assessment of rent).

Total Rs. 248.18

Monthly rental .... $\frac{248.18}{12}$
= 20.68 or Rs. 20/11/-

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ment.
State~~x~~I.

Statement shewing (i) economic rent for Chembur Kurla tenements and (ii) profit-loss for the tenements on the present basis.

Subsidised Industrial Housing Scheme.Bombay.Chembur and Kurla.

	Per tenement. Rs.	
1. Cost of building (excluding cost of land as Government land is to be used.	4,500;0	
2. Cost of establishment :		
a) 7½% on construction cost of Rs. 3,900 = Rs. 292.5		
b) 2% on construction cost of Rx land development of Rs. 600/- =Rs. 12.0		30445
3. Interest on Capital cost during construction - 4½% for 9 months on Rs. 4804.5	153.1	
Total capital cost	4,957.6	
4. Government of India loan and Subsidy.	4,500.0	
5. Capital shortfall to be borne by the State Government.	457.6	
6. Economic Rent including U.I.P. tax.	378.8	
7. Rent approved by the Government of India (Rs. 21-0-0 P M)	252.0	

8. Revenue shortfall to be borne by the State Government for the first 25 years (6)-(7) — 126x8x25 = 3170

9. Outgoing after the first 25 years upto 80th year. — 231 P. A.

10. Revenue excess for 55 years (80-25)

	Revenue Receipt :	252
Less.	Outgoings	231
		21 x 55 = 1155

11. Total loss :-

Revenue shortfall for the first 25 years (~~10~~ 8)	3170
Less Excess after 25 years (10)	1155
Net loss per tenement	2015

12. Total loss for 3,063 tenements — Rs. 61,71,945.

Subsidised Industrial Housing Scheme

Chembur - Kurla.

Capital cost per tenement.	Buildings	Install-ations.	Development of land.	Total.
	Rs.	Rs.	Rs.	Rs.
Cost.	3,000	900	600	4,500
Estt. charges - 7½% on cost of Buildings plus 2% on land cost.	225	67.5	12	304.5
	3,225	967.5	612	4,804.5
Interest on capital cost during construction 4½% for 9 months.	102.8	30.8	19.5	153.1
Total capital cost per tenement.	3,327.8 (A)	998.3 (B)	631.5 (C)	4,957.6 (D)

Rateablevalue.

	Rs.
1. Annual equated instalments for repayment to Government of India loan and interest thereon.	147.8 p.a.
2. Interest on Bombay Government share of (Rs. 4957.6 - 4500) of 457.6 @ 4½%	19.5 "

3.	Sinking Fund for Government of Bombay's share of Rs. 457.6 @.16% for 80 years.	0.7 P.A.
4.	Repairs and Maintenance.	
	1.5% on cost of Buildings (A) : 49.9	
	4.5% on cost of Installations (B) : 44.9	94.8 P.A.
5.	Management on total cost of (D) @ 0.5%.	24.8 " ".
		287.6 " ".
6.	Taxes at 25½% including U.I.P. tax on gross - 10%.	78.6 " ".
	Rateable value.	365 .2 " ".

Economic Rent per annum :-

1.	Rateable value: 366.2.	
2.	5% on Rent charged for vacancies, Bad debts etc. i.e. 5% on Rs. 252 12.6	
	378.8 i.e.	Rs.31.5 P.M.

	Outgoing after first 25 years.	Rs.
1.	Interest on Government of Bombay's share of capital cost:	19.5
2.	Sinking Fund on Government of Bombay's share of capital cost:	0.7
3.	Repairs and Maintenance :	94.8
4.	Management:	24.8
5.	Taxes (including UIP tax):	78.6
6.	Allowance for vacancies , bad debts etc. @ 5% on rent.	12.6
	Total outgoings.	231

Statement II showing economic rent and profit and loss for Ahmedabad tenements on present basis.

Subsidised Industrial Housing Scheme- Ahmedabad.

		Rs.	Per tenement.
1.	Cost of construction.		
	Cost of building land cost.	2,609 385	2.994.0
2.	Establishment cost.		
	On building construction 7½% on Rs. 2,609	195.7	
	On land cost of 2% on Rs. 385.	7.7	203.4
3.	Interest on Capital cost during construction 4½% on Rs. 3,197 for 9 months.		101.9

Total capital cost.

3,299.3

4. Government of India's loan and subsidy 2,700.0

5. ~~Rx~~ Capital shortfall to be borne by State Government inclusive of Establishment charges 599.3

6. Economic rent including V.I.P. Tax. 255.8

7. Rents approved by Government of India. (Rs. 13-8 p.m.) 162.0

8. Revenue shortfall for the first 25 years (6-7) 93.8 x 26

2345.0

9. Outgoings after the first 25 years- 167-2 P.A.

10. Revenue loss for 55 years (80-25)

Rent receipt p.a. at Rs. 13-8 p.m. 162.0

Outgoings. 167.2

Loss. 5.2x55

286

11. Total loss of 2345-0

Revenue shortfall for 1st 25 years = (8)

Add Revenue loss after 25 years (10) = net loss per tenement +286.0

12. Total loss for 2,866 tenements = 2631 x 2866

7540446

Subsidised Industrial Housing ~~Scheme~~ = ~~xxxxxxxxx~~

Capital cost per tenement.	Buildings. Rs.	Installations. Rs.	Land. Rs.	Tot Rs
1. Cost.	2,009	600	385	2,994
2. Estt. charges (7½% on cost of construction and 2% on cost of land)	150.7	45	7.7	203.
Total :-	2,159.7	645	392.7	3197.
Add interest on capital cost during construction @ 4½% for 9 months	68.8	20.6	12.5	101.
Total capital cost per tenement.	2,228.5	665.6	405.2	3299.
	A	B	C	D.

X.D.
3/8.

Rateable Value.

		Rs.
1.	Annual Equated instalment of principal and interest. Government of India loan of Rs. 1350.	88.6. P.A.
2.	Interest on Bombay Government's shares of Rs. 599.3 @ 4½% (i.e. 3,299.3 - 2,700)	25.5 " "
3.	Sinking fund at 0.16 % on Bombay Government's share for 60 years.	1. 0 " "
4.	Repairs and Maintenance :-	
	1.5% on cost of buildings. (A) = 33.43	
	4.5% on cost of installation (B) = 29.95	63.4
5.	Management @ 0.5% on total cost (D)	16.5 " ".
6.	Taxes @ 25½% including V.I.P tax gross 10%.	195.0 " "
	Total Rateable value.	52.7 " "
		247.7

Economic Rent per annum.

1.	Rateable Value.	247.7
2.	5% on Rs. 162 to cover loss due to the vacancies bad debts etc.	+ 8.1
		255.8

i.e. Rs. 21.3 p.m.

Outgoings after 25 years.

		Rs.
1.	Interest on Government of Bombay's share of capital cost.	25.5.
2.	Sinking fund on Government of Bombay's share of capital cost.	1.0
3.	Repairs and Maintenance	63.4
4.	Management.	16.5
5.	Taxes (inbluding U.I.P. taxes)	52.7
6.	Allowance @ 5% of rent for loss due to vacancy desertion bad debts etc.	8.1
	Total.	167.2 P.M

Amount of U.I.P. taxes Re: S.I.H.Scheme Rents.

Chembur - Kurla. Rate is 5% on (gross - 10%) vide F.D. No. 9326-XII. dt. 26-9-52.

$90 \times \frac{5}{100} = 4.5$

$287.6 \times \frac{4.5}{95.5}$ = Rs. 12.5.

U.I.P. tax for 3063 tenements @ Rs. 12.5 per tenement. 80 years. — Rs. 38, 287.5 P.A. Rs. 30,63,000

Ahmedabad Rate is 7% on (gross - 10%)

$90 \times \frac{.7}{100} = \frac{63}{10}$ = 6.3,

$195.0 \times \frac{6.3}{93.7}$ = 13.1

U.I.P. tax for 2,666 tenements @ Rs. 13.1 per tenement for 80 years. — 13.1 x 80 x 2866

= 30,03,568

Total U.I.P. tax for both places . Rs. 60,66,568

D.O. No. IHS 1153 H.

Public Works Department
Secretariat,
Bombay No. 1, 2nd Feb. '54.

Dear

Reference your D.O. No. HS-A(6)/52, dated the 21st /2
October 1953 regarding construction of tenements under the
Subsidised Industrial Housing Scheme the detailed position
is as under :-

(a) The Government of India have sanctioned loan subsidies amounting to Rs. 215 lakhs for the construction of 3,063 tenements at Bombay (Chembur and Kurla) and 2,866 tenements at Ahmedabad. The maximum cost inclusive of la land costs per tenement permitted by the Government of Indi is Rs. 4,500/- at Bombay and Rs. 2,700 at Ahmedabad. In addition to the maximum cost permissible from the Government of India per tenement as stated above this Government of India has to bear an amount of Rs. 457.6 and 599.3 per tenement at Bombay and Ahmedabad respectively. This leads to the capital short fall approximately of Rs. 14 lakhs over Chemur and Kurla Housing and 17 lakhs over Ahmedabad housing so far undertaken as will be seen from the details in statements I and II enclosed. Furthermore this Government has provided land free of cost for Chemur Kurla housing.

(b) The permissible rents originally fixed by the Government of India in respect of Subsidised Industrial Housing Schemes were no doubt rasied to a certain extend as due to the high prices prevailing in Bombay and Ahmedabad. But even the enehanced permissible rents are much lower than the economic rents as well be clear from the enclosed statements. The economic rent for these tenements works out to Rs. 378.8. and 255.8 per annum at Bombay and Ahmedabad respectively as against the rents of Rs. 252 and Rs. 162 per annum approved by the Government of India for these two places. In addition to the provision of free land for the Chembur Kurla Housing the State Government has to suffer a total loss on the Housing already undertaken as detailed below of Rs. 1,37,000

(i) loss on account of 3,063 tenements at Chembur and Kurla Rs.64,71,945

(ii) loss on account of 2,866 tenements at Ahmedabad. Rs.75,40,446

Total loss Rs.1,37,12,391

or say Rs. 1,37,00,000 .

The Actual amount of shortfall might differ in the light of the actual cost and it might involve the provision of additional amount by the State Government.

(c) It is relevant to mention that the State Government has to find initially funds to make up the capital shortfall at the rates shown in sub para (a) per ever additional tenement in future schemes of housing and also to face a net loss at the rates shown in sub para (b) for every such future tenement. Commitments of this character can evidently not be unlimited and hence relief should be provided.

2/- From the concluding portion of the D.O. under reply it appears that The Government of India are considering the more advisability of modifying the schemes so as to make it more attractive to the States. This is indeed encouraging . I am to suggest that the Government of India may consider raising subsidy limit to 75% of the cost. This would make the scheme economic for the State Governments.

Sd/-
(N.K.Dravid)

To

Shri C.B. Patel,
Housing Advisor,
Government of India, Ministry of W. H. & S.,
New Delhi,

Id/-.10/3/54.

Shri G. Jagathpathi, I. [illegible],
Under Secretary to the
Government of India.

No. HI/5A(53)/54.

MINISTRY OF
WORKS, HOUSING AND SUPPLY.

New Delhi,
March 29, 1955.

Dear Shri Joshi,

Please refer to your D.O. letter No. IHS - 1153-H, dated the 20th January, 1955, on the question of raising the subsidy limit from 50% to 75% under the Subsidised Industrial Housing Scheme.

The analysis of the likely shortfall capital and revenue contained in the statement enclosed with Shri Dravid D.O. letter No. IHS. 1153-H, dated the 30th January, 1954, has been examined. Government of India consider that an equitable basis of assessment of rent should be the reasonable return expected during the entire life of the asset which has been taken as 60 years and that the fact of accelerated repayment of the central loan should not be taken into account. Detailed calculations have been made on this basis, and as the enclosed rent-sheet will indicate the economic rent should work out to just about Rs. 20/11/- (as against Rs.21/- as already permitted), even taking into account :-

(i) the total capital cost as worked out by you, including establishment charges which according to para 13 of the Scheme is the only expenditure expected to be borne by the State Governments as against a substantial subsidy given by Government of India;

(ii) an additional 5% on account of maintenance and bad debts - a notional figure which accounts for an increase of nearly Re.1/- per month per tenement and could be substantially reduced if the Scheme is efficiently administered; and

iii) taxes at 25% of gross rent including the Urban Immoveable Property tax which the State Government

should be prepared to forego as the buildings belong to themselves ; even the local bodees should be persuaded to reduce their rates on these tenements as far as possible. It is therefore requested that Government of India are not in a position to agree to any increase in the central subsidy as asked for by you.

Yours sincerely,

Sd/-
(G. Jagathpathi)

Shri S.A. Joshi,

Under Secretary to the Government of Bombay,

Public Works Department,

Bombay . 1.

RENT SHEET.

	Total Cost	Central Subsidy.	State Govt's Share
Cost of construction and installations.	4,326	1,950	2,376
Cost of the land developed	632	300	332
Total	Rs.4,958	2,250	2,708

(The cost include the establishment charges and interest on capital cost during the period of construction. These, according to para. 13 of the Scheme are a legitimate charge on the State Governments and should not normally be taken into account for assessment of rent.)

RENT.

1. Equated annual instalment of the Bombay Government's share of Rs. 2,376/- at 4½% recoverable during the life of the asset- viz. 80 years (interest and sinkingfunds) — Rs. 104.70 lakhs.

2. Interest at 4½% on Rs.332 representing the Bombay Goverment's share on the non depreciating asset of land. — Rs. 14.51 lakhs.

3. (Some depreciation may be said to be necessary in respct of water electricity and sewerage mains etc. but as these are the normal responsibilities of local bodies no depreciation allowance on these has been taken into account). — Rs. 49.92

4. Maintenance charges at 1½% on building cost - (Rs. 3,328) — Rs. 89.92

4. Maintenance charges at 2% on the cost of installations (Rs.998) Rs. 19.96

(The rate of 4½% taken into account by the Bombay Government is definitely excessive)

5. Taxes at 25% of the gross rent. Rs. 47.27

6. Additional 5% for management of bad debts etc., Rs. 11.82

(This is purely notional and is normally not included for assessment of rent.)

Total --- Rs.248.18

Monthly rental ..... $\frac{248.18}{12}$

= 20.68 or Rs. 20/11/-